DRA
DIVISION OF RATEPAYER ADVOCATES

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Comparison of PG&E and DRA Proposals

Issue	PG&E Proposal	DRA Proposal	Analysis
Standard Option Discount	12%; 5 year term	12%; 5 year term	Both DRA & PG&E propose the same rate and term.
Enhanced Option Discount	35%; 5 year term Discount applies in high unemployment counties only (125% of statewide average unemployment rate).	Declining discount starting at 35%, declining over 5 years. (35%-30-20-15-10%); the average discount is 22%.	DRA's declining discount avoids "bill shock" and reduces ratepayer risk by ramping down to 10% at the end of the 5-year term (as late as 2024). In contrast, PG&E's proposal could extend a fixed 35% discount as late as 2024.
Floor Price	No floor price; CTM can be negative over contract term;	Modified Additive Floor Price based on NBCs + Marginal distribution cost + Marginal energy cost. Separate floor prices based on Marginal Costs and Nonbypassable Costs (NBCs) also apply.	DRA's floor prices guarantee ratepayer benefits (positive CTM over 5-year contract term) and prohibit cost shifting.
Price Floor Enforcement	N/A	▪ Price floors enforced "ex ante" only--No ex post recovery "clawbacks" from customer. ▪ Price floors enforced over 5-year contract term. NBC floor enforced annually.	Both PG&E and DRA propose to discontinue the unpopular "claw back" feature of the most recent EDR.
Potential for Cost Shifting	Revenues from customers receiving a 35% discount may not cover the sum of marginal costs and NBCs; may result in cost shifting.	Modified Additive Floor Price ensures against cost shifting.	Unlike PG&E's proposal, DRA's proposal prevents Nonbypassable costs from being shifted to nonparticipating ratepayers.
Distribution Rates	Negative distribution rates allowed.	Negative distribution rates not allowed. Distribution discounts constrained by marginal cost floor; enforced over the 5-year contract period.	PG&E's negative distribution rates may imply that nonbypassable rate components are not fully funded except by revenues shifted from other customers.

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Generation Rates	Generation may be discounted.	Generation may be discounted. Generation discounts constrained by marginal cost floor enforced over the 5-year contract period.	Applies to bundled service customers only. Deeper discounts under PG&E's proposal could result in cost shifting.
Risk Sharing	No PG&E shareholder participation	▪ PG&E shareholders bear 25% of discount. ▪ PG&E shareholders bear 100% of negative CTM remaining after 10 years.	High risk of negative CTM under PG&E's proposal and PG&E's nonparticipating ratepayers should not have to fund the entire cost of this subsidy program.
Participation Cap	No cap	200 MW cap	Cap needed to limit ratepayer risk.
Eligibility/ Oversight	▪ No third party oversight required. ▪ Implement with an affidavit provision without the provision verifying that energy costs are at least 5% of operating costs.	▪ Approval of applicants by California Business Investment Services required. ▪ Implement with an affidavit provision that limits participation to customers whose energy costs are at least 5% of operating costs.	DRA's proposal minimizes free-ridership and ensures that only customers who are truly considering leaving California receive this substantial discount.
Discount Transferability	Assignment of Contracts permissible only if PG&E consents in writing and the party to whom the agreement is assigned agrees to be bound by the EDR agreement.	Prohibit the transfer of an EDR contract if a company is sold. The purchasers of a company that was an EDR customer must reapply for the program.	DRA's proposal reduces risk to ratepayers and protects against potential free-riders.
EDR Renewal	EDR program should be reviewed in the 2017 GRC, and customers participating in the proposed EDR program should not be precluded from qualifying for any subsequent EDR program.	EDR program should be reviewed in the 2017 GRC, and customers participating in the proposed EDR program should not be precluded for qualifying from any subsequent EDR program.	Customer participation on a second EDR term would invalidate PG&E's 10-year CTM analyses, which are based on the assumption that the customer will return to full tariff rates, after 5 years.